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Bank of the U.S. - 1831

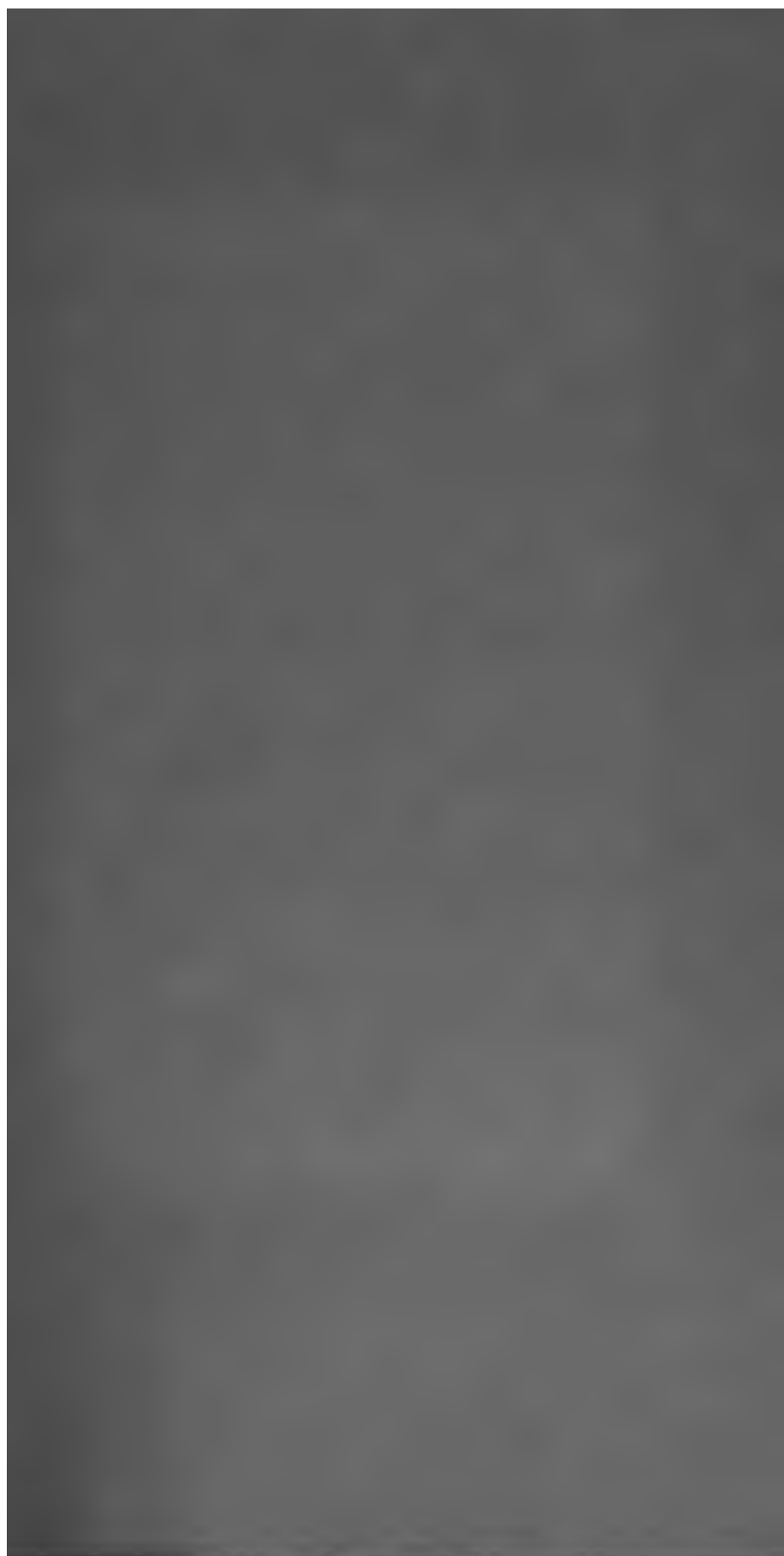
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*Boston
1831*



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THE

BANK OF THE UNITED STATES,

AN ARTICLE REPRINTED

FROM THE NORTH AMERICAN REVIEW,
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THE BANK

OF THE

UNITED STATES.*

The currency, which is always an important, is at this period a particularly interesting topic, in consequence of the discussions, to which the question of renewing the Charter of the Bank of the United States naturally leads. Though the act of incorporation does not expire till 1836, the constitutionality and expediency of continuing a national institution of this nature, already occupy the serious attention of the Executive and Legislative departments of the Government. The President, in his Message at the opening of the First Session of the Twenty-first Congress, presented the subject 'to the deliberate consideration of the Legislature and the people'; declaring, that 'both the constitutionality and the expediency of the law creating this (the present) Bank, are well questioned by a large portion of our fellow citizens; and (that) it must be admitted by all, that it has failed in the great end of establishing a uniform and sound currency.' From the consideration of this Message, resulted the Report of Mr. McDuffie. The scope of the inquiry made by the Committee of the Senate was more

*The following documents are those of which the titles were placed at the head of the article, and to which it chiefly alludes.

1. Message of the President of the United States to the two Houses of Congress, at the Commencement of the First Session of the Twenty-first Congress, December 8, 1829. *Washington.*
2. Report of Mr. Smith of Maryland, from the Committee of Finance, to whom was referred a Resolution of the 30th December, 1829, directing the Committee to inquire into the Expediency of establishing a uniform National Currency for the United States, and to report thereon to the Senate, March 29, 1830. *Washington.*
3. Report of Mr. McDuffie, from the Committee of Ways and Means, to whom was referred so much of the Message of the President, as relates to the Bank of the United States, April 13, 1830. *Washington.*
4. Message of the President of the United States to the two Houses of Congress, at the Commencement of the Second Session of the Twenty-first Congress, December 7, 1830. *Washington.*

extensive, as it embraced the general question of a national currency; but the conclusion from both investigations was the same, viz. that the Bank had fulfilled the great end for which it was created, and that it furnished the country with a uniform and sound currency. On this point, the Legislature is consequently at issue with the Executive.

The constitutionality of the Bank of the United States,—a question which did not occupy the attention of the Committee of the Senate,—is defended with great zeal and ability, by the Committee of Ways and Means; and is established, not only by argument and judicial decisions, but by that authority, which often outweighs them both in the estimation of the community,—the sanction of illustrious names. It is shown, that all or nearly all the distinguished statesmen of our country, not excepting Mr. Jefferson, have, at one time or another of their public career, either supported a national bank, or officially admitted the constitutional power of the General Government to incorporate such an institution. But though it is always satisfactory to have such testimony, that our fundamental charter has not been violated, we are far from deeming it necessary to adduce it on the present occasion. If there be any one circumstance which pre-eminently characterizes our federal institutions, is the power of the Supreme Court to determine, in the last resort, on the constitutionality of the acts of Congress and of the State Legislatures, and to carry its decrees into effect, by its action on individuals, without having recourse to the authority of separate States. This high tribunal, to which the decision appropriately belongs, has, after solemn argument, repeatedly established the validity of the law creating the Bank of the United States; and its constitutionality can therefore no longer, without subverting our political system, be considered a doubtful question. The only points remaining for future discussion, are the expediency of such an institution, and the propriety of continuing it on its present basis.

The business performed by the National Bank, may be viewed under several heads. It combines all the various functions of a bank of deposit, of discount and of circulation, deals largely in foreign exchange, and at the same time facilitates the ordinary fiscal arrangements of the Government.

1. The connexion which individuals have with the mother bank and its branches, as offices of discount and deposit, does not differ from that which exists between the numerous local

institutions established throughout the Union, and their customers. According to the system universally adopted with us, banks afford safe and convenient places for the deposit of money, on which they allow no interest, and for taking charge of which they are compensated by the balances of the accounts of their dealers; which as well as their capitals, are employed in the discounting of bills of exchange or promissory notes. As all these institutions, instead of confining themselves to the business of affording facilities to merchants to anticipate the payment of bills and notes created in the course of actual business, are in the habit of making permanent loans, in the form of renewable discounts of accommodation paper, it is evident, that it is not on account of any deficiency, that would otherwise exist in the banking capital, that a national institution is necessary. Receiving deposits and making discounts, are, however, convenient, though not essential auxiliaries, to the exercise of the important duty, with which the Bank is intrusted, of supplying 'a uniform and sound currency.'

2. As it is in its character of a bank of circulation, that the Bank of the United States is known to the public at large, we do not deem any apology necessary, for considering at some length the principles of money, and the rules which it is necessary to observe, in order that paper may retain an exchangeable value, equal to that of the coin which it represents. These are matters which ought to be clearly understood by all, who are called upon to take a part in the delicate business of regulating the currency of the country,—a subject second in importance to none, which can come before the national Legislature, and in discussing which, we shall also advert to the scheme offered by the Executive as a substitute for the existing bank.

An invariable standard cannot, in the nature of things, exist. A commodity may be selected, which will serve as a measure of value for other articles produced under the same circumstances. But, besides the variations arising from the quantity of labor necessary for production at different periods and the unequal times required to bring articles to market, the different combinations of fixed and circulating capital, and the various degrees of durability of fixed capital, cause great fluctuation in the value of commodities. It is true that, in ordinary cases, labor is the basis of value, and that it is the relative cost of production, which regulates the terms on which one com-

modity is exchanged for another. We, however, estimate an article, not only by the labor bestowed on it immediately, but by that also which has been expended on the various implements required to give effect to the particular labor to which they were applied. Regard must likewise be had to the greater or less rapidity, with which the returns for different commodities are received by the merchant or manufacturer. Utensils or machinery may not only have unequal quantities of labor realized in them, but they may be calculated to last almost indefinitely, or they may approach to the nature of circulating capital. The theory of rent has shown the extreme unfitness of corn, which Dr. Smith selected as a universal standard, to perform the functions of a measure of value. Agricultural produce is peculiarly subject to change, as its value must alter with every successive recourse to inferior soils, or application of capital to land with diminished returns. The want of an invariable standard is experienced when we attempt to estimate the relative prices of commodities at different periods; but if the same article be uniformly employed as the medium of exchange, the real fluctuation in the cost of its production will rarely be sufficiently rapid to occasion any serious inconvenience in the currency of a particular country. The commodity chosen should in its intrinsic value, bear some relation to the labor realized in the ordinary subjects of exchange. Hence, where accumulation prevails only to an inconsiderable extent, the adoption of the baser metals in preference to gold and silver.

The interdiction of the precious metals as a circulating medium, and the substitution of a cumbersome coinage of iron money, are enumerated among the wise enactments of Lycurgus. But, as the energies of the nation were diverted from the production of wealth, and as the Lacedæmonians must, therefore, have had few commodities possessed of great exchangeable value, the banishment of gold and silver was a necessary consequence of their institutions, independent of all positive legislation.

Copper formed the basis of the Roman currency till five years before the first Punic war, when silver coin came into use. Gold was not introduced till sixty-two years afterwards, or 204 years before Christ. In Russia, copper has always constituted a large portion of the metallic currency; the amount of it coined in that Empire during the last century having been,

notwithstanding its great comparative bulk, in the proportion of two rubles of copper to three of gold and silver.* Many modern States have employed small quantities of copper as subsidiary coins; and Sweden, Austria, and other powers, have sometimes resorted to a currency of this and other inferior metals, as a temporary financial expedient.

Gold and silver, which possess many of the qualities required in an article of universal circulation, have been ordinarily used as the money of the civilized world. The copper of different countries is not of the same uniform quality. The mines of Siberia produce metal superior to the German. That of Sweden is better than the Russian; while the copper of Japan is preferable to the Swedish. On the other hand, a pound of pure gold, which issues from the mines of America or the rivers of Africa, is exactly equal to a pound of pure gold from the mines of Europe. Neither the atmosphere nor time alters the quality, and the weight of every part of the metal is an exact measure of its quantity and value as compared with every other part. The precious metals are also ductile, malleable, and divisible into small parts. They are essentially articles of merchandise, the value of which is determined, like that of all other commodities, by the amount of labor requisite to produce them. As in the case of agricultural produce, it is the price of that portion of the metals which is brought to market under the least favorable circumstances, that determines the value of the whole. Owing to their being articles of universal merchandise, and the consequent steadiness of the demand for them, they are exposed to fewer temporary fluctuations than any other commodities. The discovery of America, however, by presenting to the enterprise of Europe the mines of Peru and Mexico, produced, on the value of gold and silver in the markets of the world, effects similar to those which would result from adding to any particular country, where recourse has been had to inferior soils, an indefinite supply of land of the first fertility.

The whole amount of the precious metals throughout the world, in bullion, coin, and plate, has been supposed by Senior† and other English economists, to be £2,000,000,000 ster-

* The gold and silver coined in Russia between 1762 and 1811, amounted to one hundred and thirty-seven millions of rubles; the copper exceeded ninety millions. Storch. Cours d'Economie Pol. Tom. IV. p. 87.

† Lectures on the Art of Obtaining Money, by N. W. Senior, A. M. Professor of Political Economy in the University of Oxford, p. 44.

ling, or about \$9,000,000,000.* At the commencement of the nineteenth century, the annual product of the mines of North and South America, was estimated at forty-three and a half millions of dollars; while those of Europe only furnished a fifteenth part of that quantity. The mines of Siberia yield about a million and a quarter a year, but we have no perfect data as to the amount of the precious metals which come from Africa, central Asia, China, Japan, &c. Our country has also been found to possess gold regions, which may, hereafter, be very important. In consequence of the civil wars, it has been conjectured, that the deficiency in the supply from the American mines during the eight years preceding 1819, exceeded two hundred millions of dollars. This sum must subsequently have been at least doubled. The difficulties growing out of the revolutionary struggles are not yet terminated, and the speculations of foreigners for obtaining the precious metals, by the application of improved machinery, have in a great degree proved abortive. In 1824, there was actually an exportation of gold and silver from England to the mining countries. Whatever, therefore, may hereafter be the efficiency of the steam engine, a long time must elapse before the *vacuum* occasioned by the diminished production of the last twenty years is supplied. A still longer period must also intervene, before these metals are sensibly depreciated in the markets of the world, in consequence of the increased demand occasioned by the extension of civilization, and which even the falling off in the East India trade can hardly counterbalance.

To facilitate the use of the metals, as a medium of exchange, and to prevent the necessity of weighing and assaying them in ordinary transactions, a mark was early placed upon them, to denote their value. 'A coin is merely a piece of metal of known weight and fineness,' and gold and silver, as well after the introduction of the stamp, as when they passed by weight and not by tale, exchanged for other commodities of equal value. It requires no inconsiderable knowledge of the metals to be able to determine, by inspection, the purity of the coins

* A late writer in the American Quarterly Review considers these statements as grossly exaggerated, and estimates the gold and silver, now existing in Europe and America, at only four thousand five hundred millions of dollars in value, of which from one third to two-fifths is used as currency, the remainder being worked up in plate, jewels, and other manufactured articles.

in circulation ; and this, in some instances, is impracticable, without the aid of chemical analysis. That the quantity of gold and silver, in the pieces which form the currency, should be ascertained by an authority in which general confidence is reposed, is of the first consequence in rendering the metals fit instruments of exchange. This office has been generally assumed as a prerogative of sovereignty, and by our Constitution is exclusively vested in the Federal Government.

In England, Russia, and the United States, the same weight of pure metal, that is brought to the mint in bullion or foreign coin, is delivered in the coin of the country. This applies in England only to gold, the sole legal tender, silver not being, since 1816, payable except in small sums, and a seignorage of 6.48 per cent. being imposed on its coinage. In the United States, both gold and silver are legal tenders for debts to any extent. Here, however, as is also the case in England, copper has never been received but as a subsidiary currency, and has been greatly overvalued. The charges at the mints of France and Denmark, are inadequate to reimburse the expenses of these establishments ; but the greater part of the European States derive considerable revenues from coinage. A charge equivalent to the expense of fabrication seems to be supported by just principles. There is no more reason why those who use silver and gold as coin, should have the fashion of them furnished gratuitously, than that the Government should generously offer to convert bullion, free of all expense, into articles for domestic use. If the seignorage were only equal to the difference between the labor worked up in the same weight of coined and uncoined metal, it would always lead to the exportation of bullion, in preference to the money of the country. The expense now wasted on the coining of gold and silver, which is merely taken from one mint to be sent to another, would then be, in a considerable degree, saved.

It is scarcely practicable to make two metals indifferently standards of value. If their relative prices be apportioned with the greatest accuracy, they must always be subject to fluctuations, both temporary and permanent. Gold is worth fifteen or sixteen times as much as silver, because it costs fifteen or sixteen times more labor to produce a given quantity of gold, than it does to procure the same weight of silver. Suppose, however, that machinery should be applied to the extraction of one of the precious metals, which cannot be used for obtaining

the other, or that, by the discovery of new mines, an alteration should take place in the comparative abundance of gold and silver, is it not obvious that their relative value must be changed ? Nor are variations in the value of these metals altogether unknown. At the period of the discovery of our Continent, they were exchanged for each other at the rate of one for ten ; while, according to the existing regulations of Europe, gold, as compared with silver, varies in different States, from one to thirteen and a half, to one to fifteen and a half, and its market price is not far from one to sixteen.

It has been already stated, that the United States have a double standard. This is also the case with France. In Great Britain, as we have seen, gold, with unimportant exceptions, is the only legal tender. In Russia, according to the system established in 1810, the silver ruble is the standard by which all payments stipulated to be made in metallic money, must be regulated ; and the Government leaves it to individuals to settle for themselves the value of gold relatively to silver, which of course varies in the market from time to time. The experience of all countries, where gold and silver have been indifferently adopted as standards, has shown, that debtors will pay in the coin which has the highest legal value, compared with its market price as bullion ; and that the other, being estimated too low at the mint, will be driven from circulation. By the French law, gold bears to silver the relation of fifteen and a half to one, that is to say, a debtor may indifferently discharge a debt contracted in francs, by paying to his creditor fifteen and a half ounces of silver, or one ounce of gold, they both being coined into money. But, as an ounce of gold is really worth a little more than fifteen and a half ounces of silver, payments are made in preference in the latter metal, which is generally employed in France as money. When, for convenience in travelling, or other purposes, gold is desired, a premium must be given for it. In our system, as their proportional values are fixed at fifteen for one, the advantage of employing silver is still greater, and however much gold might be coined, it would, unless the standard rates were altered, soon disappear from circulation.

In looking into the history of money, we find, that a common error has pervaded the regulations which have been adopted by governments. They have proceeded on the principle, that the authority of the sovereign, and not the cost of the metal,

constituted the value of the coin. They have thus arbitrarily altered the amount of silver and gold contained in pieces of different denominations. They have conceived, that, if the name of the coin were retained, it would exchange for the same quantity of other commodities. In order to enable the State to discharge its debts by a less value than was originally stipulated, every private debtor has had legal permission given to him to defraud those by whom he has been trusted. The Roman *as* or *pondo*, which, in the reign of Servius Tullius, contained twelve ounces, was, 175 years before Christ, reduced to half an ounce. The currencies of most of the States of modern Europe present similar instances of degradation; their pound, *livre*, or other coin, having been at first of the weight of metal corresponding with its denomination. Such, however, has been the effect of successive changes, that the French *livre* of 1103 was worth, in the money of 1789, 78 *livres*, 17 *sols*. In England, a pound weight of gold, of the fineness of twenty-three carats, three and a half grains, was, in 1344, coined into £13.3.4. In 1816, the same quantity of that metal, of the purity of twenty-two carats, made £46.14.6 of the standard coin. In Russia, from the year 1700 to 1762, the money underwent a depreciation of more than fifty per cent. Before the time of Peter the Great, 100 *copeks*, containing 11 *zolotniks* and 40 *dolis* of pure silver, made a *ruble*. In 1704, rubles were coined, containing but 5 *zol.* and 67 *dolis* of silver; and this quantity was, in 1762, reduced to 4 *zol.* 21 *dolis*. But it is not only by depreciating it, that governments have unjustly exercised their power over the currency. History informs us of a Roman emperor, who, when his subjects were bound to pay in taxes, not a determinate weight of gold, but a certain number of *aurei*, increased the quantity of metal contained in the coin; and thus, without appearing to add to their contributions, assumed to himself a command over a much larger portion of the means of the people.

The names given to money are altogether unimportant; and when the alteration of the currency becomes known, and contracts are entered into with reference to the new state of things, it is productive neither of good nor evil. The temporary effects are, however, injurious to the last degree, as will more fully appear, when we come to speak of a circulating medium, that is exposed to far greater variations than those to which coin can ever be subjected.

In a commercial community, it would be more inconvenient to carry on exchanges by means of gold and silver, than we can possibly suppose it to have been to conduct the limited traffic of Sparta, by the intervention of iron money. Though money be used as the measure of relative value, transactions are constantly taking place, not only between merchants of different nations, but among the inhabitants of the same country, without employing the precious metals. The trader of the interior sends agricultural produce to New York or Boston, where his corn is estimated according to the market price, and he receives in exchange dry goods and groceries, which are also valued in current money. The same thing may be supposed in relation to the trade between this country and England. Cotton is exported to Liverpool, where the American merchant is credited with the proceeds; but instead of gold and silver, foreign fabrics are supplied in return. This is a statement of a more simple case than is likely to occur in practice. But the intervention of the various classes of commercial dealers, to which the division of labor has given rise, does not affect the principle.

It would not, indeed, ordinarily occur, that the corn of the interior would be forwarded to the sea-board, or the cotton shipped to Europe, by those who had occasion to purchase any commodities from the correspondents to whom their property was consigned; and it might even happen, that they would not wish to make any disbursements in the places to which they had transmitted their produce. In such a case, it would be extremely convenient for a creditor to make an assignment of the debt to persons wanting funds abroad, or in a distant part of his own country, on receiving an equivalent at the place of his residence. Hence the origin of bills of exchange, which is of high antiquity.*

In the same place, articles are often bought, with a view of being re-sold, and in such cases, the first purchaser generally

* Isocrates mentions particularly, that a stranger, who had brought some grain to Athens, delivered a draft of this nature to one Stratocles, for money due to him in some place on the Euxine Sea. It appears that the dangers of the sea in the first place, and afterwards, the dread of pirates, or declared enemies, induced the merchants of those days to adopt such practices. But as the credit of the Greeks was in little repute, this Stratocles took very good precautions; he insisted on having a banker of Athens responsible, in case the bill should be protested in the Crimea, because the drawer had no fixed habitation.—*De Pauw on the Greeks*. Vol. I. p. 234.

calculates on paying for them by what he receives from the consumer. Instead, therefore, of exchanging at once money for commodities, a note is given, promising to pay the amount stipulated, at the expiration of sixty or ninety days. If this promise be made by a man of undoubted credit, it may be circulated among those, by whom the solvency of the maker is understood, as equivalent to the value which it represents.

Foreign bills of exchange are universally considered a part of the general currency of the mercantile world; but according to the habits of transacting business in this country, inland bills of exchange and promissory notes are discounted or purchased, with a view of obtaining interest for the use of capital, but do not, to any great degree, form part of what may be properly termed the circulating medium. In England, however, they are employed to no small extent as money, of which they perform many of the ordinary functions.*

The average amount of bills paid each day, at the clearing-house in London, is estimated at four millions, and the average period for which they are drawn, at seventy-five days, so that the gross amount of them in circulation cannot fall short of three hundred millions; and deducting those which, from the magnitude of the sums, or the length of time before the bills become due, are ineligible for performing the functions of currency, it may be considered, that 'a sum of one hundred and fifty millions of bills of exchange, (payable in London) is, in the ordinary course of affairs, at all times in circulation, representing the transfer of commodities as much as any other description of currency.' One of the witnesses before the Committee of the House of Lords, on the Scotch and Irish currency, in the session of 1826, in answer to a question, respecting the proportion which bills of exchange bear in value to the Bank of England notes and gold circulating in Lancashire, stated, that he should suppose, that on the first of December previous, those bills of the value of £10 and not exceeding £30, amounted to four fifths of the whole; and that,

* 'In the great manufacturing country of Lancashire, and in parts of Yorkshire, a bill on London at three months is reckoned a money payment; and by far the largest proportion of the currency consists either of the bills of bankers drawn on their correspondents, or those of the merchants and dealers scattered up and down the country. The same practice is followed, though to a less extent, in other districts, so that the aggregate amount of such bills afloat is enormous.' *Smith's Wealth of Nations. With supplementary Notes by McCulloch.* Vol. IV. p. 293.

if he did not confine himself to bills under £30, he should say that bills of exchange were to gold and Bank of England notes, in the proportion of more than twenty to one. Some country bankers even stated them to be as fifty to one. Another witness, on being asked whether he had not seen bills of exchange of this nature, for the value of £10, with fifty or sixty names upon them, 'Yes,' replied he, 'with twice that number. I have seen slips of paper attached to a bill as long as a sheet of paper could go, and when that was filled, another attached to that.'

The necessity of having recourse to metallic money, was also in a degree obviated by the establishment of banks of deposit. Of these, the most celebrated were the banks of Venice, Amsterdam, and Hamburgh. The oldest was that of Venice, which may be traced to the twelfth century. The other institutions were much more recent, not having been founded till the beginning of the seventeenth. One of the causes usually assigned for their creation, was the importance of preserving a currency of uniform value. Small states were much exposed to the introduction of clipped coin, and as the currency was not limited in quantity in proportion as it was debased in quality, great embarrassments were experienced in determining the rates at which this money should be received in large transactions. The money of Venice, as well as that of Amsterdam and Hamburgh, afforded a regular standard of value, and the certificates of these banks maintained an *agio*, or premium, on the current coin of their respective States. As the bank money was only issued to the actual depositors of specie, it was regulated as to quantity; but on the supposition that gold and silver existed in the vaults to the extent of the bank credits, according to the principles on which these institutions were formed, nothing could have been gained either to individuals or the public, in the liberation of unproductive capital.

The same reasons, however, which would give circulation to the promissory notes of individuals, or to those private bills of exchange, to which we have referred, would cause the notes of an institution or of a company of merchants, possessing sufficiently the confidence of the community to obtain the deposit of their gold and silver, to be much more extensively received. Banks of circulation derive their profits from issuing paper money to an extent far beyond the amount of metallic capital, on which it is based, and as they generally unite the business of

offices of discount and deposit with that of emitting notes, they are enabled to give their own paper, not bearing interest, for bills of exchange and the notes of individuals, which are not yet due, and from the amount of which the interest is deducted in advance. Experience soon shows, that where a bank enjoys undoubted credit, little apprehension need be entertained that it will be called on to redeem, in specie, the whole amount of its paper, before an opportunity is afforded of converting into gold and silver the securities on which the loans are negotiated. If, before the introduction of bank notes, there were forty millions of coin in circulation, and a paper convertible at pleasure into gold and silver, had been substituted as the medium of exchange, twenty millions of the precious metals, and probably a much smaller amount, would have been sufficient to meet every demand. An important saving might thus have been effected. Twenty millions of value would have been sent out of the country and replaced by productive capital, which would greatly augment the nation's command over the comforts and conveniences of life.

The quantity of currency required in a business community is also much diminished by the habit of substituting for gold and silver, or paper money, drafts or checks on bankers, drawn against previous deposits. Where banking establishments exist, individuals, in the immediate neighborhood, are enabled to dispense with keeping on hand either specie or notes, even for current expenditures; and this circumstance explains why the institutions in the cities always surpass those of the country in the amount of their deposits, while they fall far below them in the circulation. The difficulty of ascertaining what portion of the deposits, and of the private bills of exchange, perform the functions of money, renders it almost impossible to state with accuracy the aggregate of what may properly be termed the currency, or circulating medium of a country.

The prospect of deriving gain from the issue of paper money was too tempting to be resisted by sovereigns, and we find that nearly every power of Christendom has had recourse to it as a financial arrangement. Unrestrained, however, by the checks that may be applied to individuals, they have made their own necessities, not the true rules that should regulate the quantity of the currency, the only limits of their issues. But, before illustrating this part of our subject by a reference to examples, it may be well to inquire how it happens, that paper money,

altogether destitute of intrinsic value, exchanges for commodities, in which labor is realized.

If the circulation of a country be, for example, \$20,000,000, the value of any part of which bears a definite relation to that of any given commodity, according to the amounts of labor respectively realized in the gold and silver, or in the merchandise for which it serves as a measure, and a paper money of the same precise amount and denomination be substituted for the precious metals, what will be the result? It is evident, that the whole quantity of the new currency being equal to the entire amount of the old, while the articles to be measured remain the same, each paper dollar must bear the same relation to any commodity, that the coin previously did. The currency becomes limited in amount, as in cases of monopoly; and the principle of demand and supply governs. If so much paper be issued, as to increase the money of the country beyond the amount of the circulating medium, which would have been employed, had gold and silver continued to constitute the currency, it is equally apparent, that it will become degraded in value. On the other hand, if the paper money be less in amount than the metallic, which it replaces, every dollar of paper currency will exchange for more commodities than the gold or silver, which it replaces, previously did.

If we refer to the monetary system of different States, we shall find, that the depreciation of paper money has always been proportionate to the excess of the issues. Law, whose chimerical projects were adopted by the Government of Louis XV., contended, that the augmentation of the currency had solely the effect of reducing the rate of interest, and that its increased amount would be absorbed by the new channels of industry, to which it would give rise. The attempt to carry these views into practice, soon drove from circulation all the gold and silver coin, and the excessive issues of paper degraded the notes so far below their nominal value, that the Government, in order to give them a forced currency, resorted, without effect, to the most arbitrary measures. By one decree, every person was prohibited from keeping in his possession more than five hundred *livres* in specie, or any articles of gold and silver, under penalty of confiscation of the excess, and ten thousand *livres*. Making a payment of one hundred *livres* or upwards, except in notes, was also severely punished. After having put in circulation more than twenty-two hundred and

thirty-five millions of *livres*, and raised the price of every thing to three times its former amount, the coin that had previously served as currency having only amounted to eight hundred millions of *livres*, the operation of Law's schemes terminated in an almost universal bankruptcy. In the words of Sir James Stuart, 'a man with a hundred millions of bank notes might have starved in the street.'

The effects on public and private credit, which were produced at a later period, by the issue of the French *assignats*, were not less calamitous. Some idea may be formed of the consequences of the unlimited emission of this irredeemable paper, when it is recollected, that from the meeting of the Constituent Assembly to the adoption of the Constitution of '95, *assignats* were put in circulation for the sum of forty-five thousand five hundred and eighty-one millions of *livres*,* and that such was their degradation in value, that at the latter period, a note for one hundred *livres* exchanged for three *sous* six *deniers* of metallic money. The effect of the depreciation on individuals, many of whom depended for their subsistence on the annuities of the State, has been thus forcibly described by a continental writer.

'When the *assignats* had fallen more than fifty per cent., when terror had got possession of the public, and when all hope had been lost of bringing the paper to *par*, the unfortunate creditors of the State saw themselves abandoned to all the horrors of constantly increasing misery. Every day their revenues became more and more inadequate to furnish the necessities of life; public charity was destroyed by the universal wretchedness. These unfortunate beings, with haggard eyes, with cheeks hollow from famine, wandered through the streets soliciting compassion; and after vain efforts, threw themselves every evening into the Seine, and escaped by suicide the most frightful of all calamities,—death from hunger.†

The experiment in France did not stop with the *assignats*. It was attempted to replace this currency by issuing at once two thousand four hundred millions of *mandats territoriaux*, based upon the security of the royal and other confiscated domains, and a part of the old emissions was also absorbed by a forced

* The present amount of the French currency is estimated at from two thousand to two thousand five hundred millions of francs.

† Storch. Cours d' Economie Politique, Tom. IV. p. 163.

loan from those who had any property left, to the amount of six hundred millions in coin ; in the subscription, one hundred francs in paper being received for one of metallic money. This expedient was the means of withdrawing fourteen thousand millions of francs from circulation. The new bills of credit, emitted without any reference to the principles which regulate the current value of money, soon shared the fate of the *assignats*, and in the course of a few months one hundred *livres* of paper fell to one *livre*, ten *sous* of coin. Such, indeed, has ever since been the feeling of the French nation with regard to paper money, that the National Bank, which alone issues notes for circulation, is restricted to those of the denomination of five hundred and a thousand francs, and these are only current as money in Paris.

Were it necessary, similar illustrations might be cited from the history of the other continental powers ; but England and our own country afford sufficient instances of the various experiments that may be made to regulate the currency. The inconvertible, depreciated, and fluctuating currency, which, for the first quarter of the present century, served as the standard of value in Great Britain, was issued under the name of a commercial company ; but the restriction on cash payments in 1797, followed up, as it was, by the acts of Parliament, that made Bank of England notes *virtually* a legal tender for all debts, gave to them most of the defects of a government paper money. Though, for the reasons that will be hereafter mentioned, the depreciation was not contemporaneous with Mr. Pitt's Order in Council, to that measure may be traced that degradation of the English currency, which, through the foreign exchanges, was felt in every part of the commercial world.

But it is hardly necessary to have recourse to other nations for an illustration of the derangements to which a government paper may be exposed. Our ancestors seem to have been as intent on the retention of specie, as any of the advocates of the mercantile theory. With this view, the colonists degraded the denomination of the coin, and made given quantities of those metals pass for greater sums than in the mother country. We have here the origin of the local currencies of the different States, which the decimal money of the Union has not entirely driven from our books of account, and which are still employed in small transactions. As might have been expected, the result of this absurd expedient was, 'that the price of all goods from

the mother country rose exactly in proportion, as they raised the denomination of their coin, so that their gold and silver were exported as fast as ever.*

Most of the Provincial Legislatures also issued notes, which were not payable on presentation, but only after the expiration of several years. This system, for which the expenses incurred by the war against the French in Canada was sometimes a plea, was a favorite measure with the people, and the cause of no inconsiderable disputes between the Assemblies and the Governors of the Colonies appointed by the Crown.

'The rate of exchange and the price of all commodities,' says an American historian, 'soon disclosed the political truth, that however the quantity of the circulating medium might be augmented, its aggregate value could not be arbitrarily increased; and that the effect of such a depreciating currency must necessarily be, to discourage the payment of debts, by holding out the hope of discharging contracts with less than the sum actually contracted for; and to substitute a species of cunning and of speculation for honest and regular industry.'†

It is an ungrateful theme to trace the successive degrees of degradation which the money of our revolution, as well that of the States as of the General Congress, underwent, till it became so depreciated as not to bring in specie the hundredth part of its nominal value. If there be any case which would seem to justify the violation of private rights for the attainment of a general good, it is that of a nation making an effort for its independent existence. Many of the remarks, however, which have been made in reference to the *assignats* of France will apply to our continental money. Indeed, the sense of the people of the United States with respect to a paper currency, not based on any adequate security, may be observed in the extreme caution, that led to the provisions in our Constitution prohibiting the States to 'emit bills of credit,' or 'make any thing but gold and silver coin a tender in the payment of debts.'

We have dilated rather more on the evils incident to a government paper than we should have considered necessary in the present state of public opinion, were it not for a proposition on this subject contained in the Executive Messages, alluded to at the commencement of this article. The President, in

* Smith's *Wealth of Nations*, Vol. I. p. 232.

† Marshall's *Life of Washington*, Vol. I. p. 345.

the first of these documents, after expressing the opinion, which we have already quoted, as to the Bank of the United States, 'submits to the wisdom of the Legislature, whether a national one, founded upon the credit of the Government and its revenues, might not be devised, which would avoid all constitutional difficulties; and, at the same time, secure all the advantages to the Government and country that were expected to result from the present bank.'

It has been already stated, that by the substitution of money without intrinsic value, for gold and silver, a gain accrues to the issuers of paper, equal to the amount of the difference between the expense of furnishing the one medium and of maintaining the other. A posthumous tract of Mr. Ricardo contains a plan of a currency, by which the profit of emitting paper-money would be received by the Government.* But, though convertibility into coin was made the security against over-issues, so sensible was this distinguished economist of the danger of abuses, that it was a fundamental principle in his project, that the commissioners, by whom it was issued, should not be responsible to the Executive Government. The views of Mr. Ricardo, as far as we can learn, were never brought forward by any member of Parliament; and the power of making paper-money is one, which, in case of financial embarrassments, could not safely be exercised by the Executive or Legislature of any country in the universe. We should consider the gain that might arise to the nation from the substitution of government paper for the whole of the existing currency, but a poor compensation for the risk that we should thereby incur, of seeing a renewal of the horrible catastrophes attendant on the French *assignats*, or even on our own 'Continental paper.'

The inexpediency of adopting in the United States the measure under consideration, cannot be better shown, than in the language of one of the Reports before us.

'The resort to the issue of a paper money, has been often the desperate expedient of the wants of a nation. It has then found its justification only in the necessity which created it; yet such are its inevitable evils, that every prudent government has, the moment its pressing exigencies permitted, returned to the only safe basis of a circulating medium, the precious

* Plan for the establishment of a National Bank, by David Ricardo, Esq. M. P. London. 1824.

metals, and the private credits attached to the use of them. Such were the expedients of the Government of the United States during its two wars; such its immediate abandonment of them at the return of peace. But, in the present condition of the Treasury of the United States, with a revenue far beyond its wants, with a debt almost nominal, and hastening to its entire extinguishment, such a measure is not needed by the interests of the Government, nor is there the slightest indication of its being demanded by the wants of the country. Of such an issue of paper-money, the Executive at Washington would be the natural fountain,—the agents of the Executive, the natural channels. The individuals, and corporations, and States, who borrowed it, must become debtors to the Government; and the inevitable consequence would be, the creation of a monied engine of direct dependence on the officers of Government, at variance with the whole scheme of our institutions. The limit to which this currency should be issued, the persons to whom it should be lent, the securities taken for its repayment, the places where it should be redeemed, involve great complication and great hazard, regarding it merely in a financial point of view, while, on more enlarged considerations of political expediency, the objections to it are, in the opinion of the committee, insuperable and fatal.' *Mr. Smith's Report.*

We have hitherto considered the proposition of the President as referring merely to the issue of government paper. Supposing it, as Mr. McDuffie does, to have been the intention of the Executive to suggest the establishment of a bank of discount and deposit, founded on the credit and revenues of the Government, the objections to the measure are infinitely multiplied. Without inquiring whether such an institution could afford the facilities now furnished by the Bank of the United States to the Government and the public, it may be remarked, that, while all the arguments against a paper currency remain in full force, the considerations of a political character, against such a course, are quite conclusive.

On the increase of patronage, to which the proposed measure would lead, the Committee of Ways and Means remark:

'The Bank of the United States now employs five hundred agents, in the various parts of the Union where its offices are established. From this fact some idea may be formed of the very great addition which would be made to the patronage of the Executive Government by the establishment of such a bank as the one under consideration.

\ 'But the patronage resulting from the appointment,—the annual appointment,—of these agents, great as it would doubtless be, would be insignificant and harmless, when compared with that which would result from the dispensation of bank accommodations to the standing amount of at least fifty millions of dollars. The mind almost instinctively shrinks from the contemplation of an idea so ominous to the purity of the Government and the liberties of the people. No Government, of which the Committee have any knowledge, except perhaps the despotism of Russia, was ever invested with a patronage at once so prodigious in its influence and so dangerous in its character. In the most desperate financial extremities, no other European Government has ever ventured upon an experiment so perilous. If the whole patronage of the English monarchy were concentrated in the hands of the American Executive, it may be well doubted, whether the public liberty would be so much endangered by it as it would be by this vast pecuniary machine, which would place in the hands of every administration fifty millions of dollars, as a fund for rewarding political partisans.' *Mr. McDuffie's Report.*

Nor are the objections to the President's plan materially diminished by the modifications, which it received in his Message at the commencement of the second session of the last Congress.

'It is thought practicable,' says the President, 'to organize such a bank, with the necessary officers, as a branch of the Treasury Department, based on the public and individual deposits, without power to make loans or purchase property, which shall remit the funds of the Government; and the expenses of which may be paid, if thought advisable, by allowing its officers to sell bills of exchange to private individuals at a moderate premium.'

'The States,' he proceeds to observe, 'would be strengthened, by having in their hands the means of furnishing the local paper currency through their own banks; while the Bank of the United States, though issuing no paper, would check the issues of the State banks, by taking their notes in deposit and for exchange, only so long as they continue to be redeemed with specie.'

The power over the currency, delegated by the Constitution to Congress for wise purposes, is here entirely abandoned. The new plan does not profess to hold out any preventive

checks to the excessive issues,—almost the sole possible cause of the insolvency,—of local institutions ; but the Treasury Bank is to receive their notes as long as they continue to be redeemed with specie, and only to refuse them after the mischief is effected, and after the failure of the banks, accompanied by the ruin of thousands of innocent victims, has occurred. In the concluding clause of the paragraph from which we have quoted, it is said, that, ‘ in times of public emergency, the capacities of such an institution might be enlarged by legislative provisions ;’ and we here find means reserved for the renewal of the scheme of the preceding year, with all its attendant consequences. Suppose a war to occur, or the Government on other accounts to be subjected to financial embarrassments, and we shall have at once an irredeemable paper-money, indefinite in quantity, and issued by a ‘ few officers’ of the Treasury ; who, it is to be feared, under every administration, will be selected more with reference to their qualities as political partisans, than because they possess the talents appropriate to their stations as Bank Directors. As to the profits which are to accrue to the public from the contemplated establishment, the result of a similar experiment in the State (Tennessee) with which the President is immediately connected, furnishes abundant evidence. How far our merchants would relish a system of banking, which should intrust the dispensing of money accommodations to the postmasters and custom-house officers of their respective towns exclusively, we shall not here stop to inquire.

In the course of the preceding remarks, it has been observed, that the only true means to keep paper-money at the same value with gold and silver, which it represents, is to limit its amount to that of the metallic money that would have otherwise circulated. How to do this practically, is an important question ; for as the demands of trade vary, what might be a proper quantity at one period, may be very improper at another. Convertibility into gold and silver is the most effectual mode that can be devised. Agreeably to the principles established above, whenever the redundancy of paper-money exceeds certain limits, it becomes the interest of the holder to demand the specie, which being a money not of one particular country, but of the world, has an exchangeable value, independent of that of the local currency. As convertibility is only a means to the attainment of an end, viz. that of regulating the quantity of the currency, it is not necessary that this money should be

exchanged for coin, in order to be free from all fluctuations, which are not incident to the standard itself. On the suggestion of Mr. Ricardo, it was therefore provided by the British act of 1819, commonly called Mr. Peel's bill, that the Bank of England should be required to deliver uncoined gold and silver at the mint standard and price, in exchange for their notes, instead of guineas; and, on the other hand, to prevent the rise of bank paper above the value of bullion, the Bank was to be obliged to receive its paper in exchange for standard gold, at a price somewhat lower than that at which it was proposed to pay gold, when demanded for notes. By this measure, the expense of the coinage and of the wear of the metals, which amount to a large annual sum, would have been in a great measure saved; while the quantity of specie necessary to be retained unproductively, might be greatly diminished. 'In practice,' says an able English economist, 'Mr. Ricardo's plan worked extremely well. While the over-issue of paper was effectually prevented, only a very few bars were demanded of the Bank; and it was generally supposed, that, instead of its operation being prematurely checked, it would have been rendered perpetual, and the farther circulation of gold coins prevented.'

But, whatever may be the mode by which it is effected, it is of the utmost importance, with a view of preventing ruinous fluctuations in the property of every individual in the community, that the circulating medium should have 'a counteracting principle within itself.' The consequence of disregarding this necessary precaution, in the issue of government paper money has been sufficiently discussed, and it is hoped, that enough has been said to prevent the adoption of the Executive recommendation, replete as it is with the most serious evils, both political and economical, and now repudiated even by its author.

The embarrassments growing out of a currency, inconvertible into the metals, of which it is the nominal representative, and unrestricted as to quantity, though issued on the credit of private corporations and individuals, formed, at the period of its establishment, one of the most efficient motives for chartering the present Bank of the United States. A recurrence to the monetary system of that day, and a comparison of the state of the currency in 1814-15 with its present condition, will best enable us to judge how far the anticipations of the founders of the institution have been accomplished.

The annals of the Bank of England, whose paper became in 1797, as we have seen, by the interference of the Executive, and subsequently of the Legislature, a compulsory government paper currency, rather than a money of confidence, will show that, by restricting its quantity, it was kept for many years nearly on a par with specie, and, indeed, for three years it even bore a small premium over gold. Though the directors professed to be governed by principles, that would have authorized their discounting the notes of all solvent dealers, they seem for a long time to have disregarded the great gains that they might have obtained from issuing their inconvertible paper to an indefinite extent. But, as they did not keep in view the relation which the price of their paper bore to that of gold, they gradually increased their issues, so that between 1809 and 1814, the notes of the Bank of England fell from ten to twenty-five per cent. discount, and they were at one time thirty per cent. below par. In 1810, there were forty-six millions of paper-money in circulation in England, twenty-three millions of which were notes of the National Bank, while in 1797, the whole currency did not exceed thirty millions, of which ten millions were Bank of England notes, and twenty millions coin, there being then no country paper.

The effect of the fall in the real value of bank paper was of course apparent in the nominal prices of exchange in every part of the world. Being but imperfectly understood, it had a great influence on the currency of other countries, where paper-money served as the ordinary circulating medium, and contributed to induce with us, in the absence of a National Bank to supply a salutary check, that improvident augmentation of bank notes, which resulted in 1813-14, in the suspension of specie payments every where, except in the Eastern States. In the other parts of the Union, scarcely any two towns had the same currency. In the Southern and Western States, the depreciation in some instances even exceeded twenty-five per cent.

Not only was an accurate knowledge of the nominal exchange of the day necessary, before making purchases at a distant place, but a traveller, proceeding from the South or West towards the North or East even, if he were so fortunate as to have his money received at all, could not adjust his reckoning at an inn, till an abstruse calculation was made of the

discount, to which his bank notes were to be subjected, or till he had had recourse to the interposition of a broker.

In 1813, when gold and silver were paid on demand, the currency of the United States, without including specie in the vaults, was about seventy millions, of which sixty-two millions were in bank notes. Such was its rapid increase after the withdrawing of the salutary check,—the liability to pay gold and silver,—that in 1815, only two years afterwards, it amounted to one hundred and ten millions.* The currency was probably augmented during the ensuing year, and as, owing to the great demand for specie growing out of the general war, it rose in value relatively to these commodities, the redundancy of paper was even still greater than it nominally appears to have been. As in case of the derangement of the currency, the evil is two fold, viz. 1st. that arising from the depreciation, and, 2dly. the equally great one resulting from the subsequent appreciation, a change from an unsound to a healthful state is attended with nearly the same consequences as the first degradation. If, on account of the diminished value of the circulating medium, a creditor be compelled to accept one half of his debt, when the fluctuations are of an opposite character, twice as much in value may be exacted from the debtor, as he ever received or promised to pay. We may then judge of the embarrassments, which must have been occasioned by the reduction of the currency of the United States in the three years between 1816 and 1819, from one hundred and ten millions to forty-five millions.† As it was all important to debtors to pay in a depreciated currency, and was furthermore the interest of the local banks, as evinced by the high dividends then made, to put in circulation as much paper as possible,

* We have followed in our estimates the statements given by Mr. Crawford, in 1820, and adopted as the basis of the calculations of the Committee of Ways and Means. It must, however, be admitted that the *data* furnished by the Secretary of the Treasury will hardly warrant his conclusions, and since preparing this article, we have seen a paper drawn up by an authority whose accuracy cannot well be questioned, in which the sums in the text are considerably diminished. Mr. Gallatin considers the bank notes in circulation in 1811, to have been less than \$30,000,000, in 1816, about \$70,000,000, and in 1820, about \$45,000,000. It is also to be observed, that, in stating the amount of the currency at these several periods, we are to add to the first and third sums the coins which circulated concurrently with them, all of which were of course excluded from use, except in the Eastern States, during the depreciation of the bank notes. In adopting, however, even the lowest estimates, we assign ample cause for the depreciation of our paper currency.

† Or according to Mr. Gallatin, from \$70,000,000 to \$45,000,000.

for the redemption of which they felt themselves under no obligation to provide, it was very apparent that no voluntary resumption of specie payments would have taken place. The stockholders, it is true, received their profits in a depreciated money, but when the dividends were raised from six to twenty per cent., even the degradation of the currency to one half of its nominal value was, under that point of view, a minor consideration.

Such indeed were the consequences to individuals, as well as to the institutions themselves, of the resumption of specie payments by the banks, that numerous schemes were suggested both here and in England for the establishment of permanent paper currencies. The House of Representatives called on the Secretary of the Treasury, by a resolution of March 1st. 1819, to report such a plan; but it is due to Mr. Crawford to state, that, although he complied with the directions referred to, and presented a view of the least obnoxious mode in which a paper-money could be issued, he conclusively showed the superiority of a currency convertible at pleasure into specie. He also expressed his entire conviction that a paper-money under the authority of Government would have no effect in relieving the embarrassments of that section of the country, which called most loudly for such a measure. Congress refused to interpose in the case, and thus left to the Bank of the United States, which they had incorporated in 1816, and which, from the provisions of its charter and the expectation of the nation, was necessarily a specie-paying institution, the burden of raising a depreciated currency to the value of gold and silver.

Many of the early measures of the Bank, may not have been, it is true, of the wisest character; but the stockholders themselves were the greatest sufferers by them, and at no time since this institution went into operation, have its notes been dishonored. The expenses and difficulties incurred by the Bank of the United States in establishing and upholding a specie currency, are clearly shown in an 'Exposition,' made by Mr. Cheves in 1822, a short time before resigning the Presidency, of which we shall freely avail ourselves.

When the National Bank went into operation, branches were placed in several States, whose currency did not sustain an equality with gold and silver. Its notes were every where received in payment of duties and taxes to the Government, without reference to the place of emission, and were redeemed

in specie, at the bank, or any of its offices. It labored under the disadvantage, not only of issuing notes at a time when the currency in the specie-paying districts exceeded the coin, which would have circulated, and of being, therefore, constantly called on for gold and silver; but it sustained the still greater inconvenience of circulating notes, payable at pleasure in gold and silver, at places where a large portion of the medium of exchange was composed of inconvertible paper. This constituted the foundation of the suspended debt in the States of Ohio and Kentucky, which, at one time, exceeded six millions of dollars; though a considerable portion of it has been gradually liquidated by the sale of real estate, taken as security.

The notes issued in the Western States were immediately returned to the offices of the sea-board, and specie was rapidly drawn from the Bank; the Bank and the great Northern offices were constantly drained of their metallic capital, and only eighteen months after the institution began its operations, it was obliged 'to commence a rapid and heavy curtailment' of its business. Though the Bank enjoyed a government deposit of eight millions,—though specie had been imported at an expense exceeding half a million of dollars,—though curtailments of upwards of six millions and a half were made, between the 30th of July, 1818, and 1st of April, 1819,—it was further obliged, in order to continue specie payments and maintain the metallic currency of the country, to sell between two and three millions of its public debt, and in various ways to attain the command of disposable means by reductions of its productive capital, within eight months, to the amount of upwards of eight millions of dollars.

In addition to these financial difficulties, the curtailments at the West rendered the Bank unpopular in that part of the Union, and subjected its operations to all those embarrassments, which the hostility of State authorities is capable of interposing. Yet, in spite of all the various obstacles with which it has had to contend, the *Bank has*, in the language of one of the Reports before us, *actually furnished a circulating medium more uniform than specie*. Funds may be removed from one part of the Union to another, through the aid which the Bank affords, at an expense not exceeding one half, and frequently less than one quarter of the cost of carrying silver. While, by the discretion of its present managers, no inconsiderable portion of the property supposed to have been sacrificed by their predecessors, has been secured for its stockholders, the benefits of

the institution are now most fully appreciated in those States, where every expedient, a few years since, was resorted to in order to expel its offices from their territorial limits. In Ohio, Kentucky, Indiana, Illinois, and Missouri, the circulation consists almost exclusively of specie and the paper of the Bank of the United States; and their present prosperous situation, compared with the incessant bankruptcies attendant on their former condition, is, after the equalization of the currency, the best commentary on the good that the Bank has effected. Even since this institution has been placed under the ban of the Executive, Mississippi has repealed a law adverse to the National Bank, and invited a branch within the State, a course in which Tennessee had led the way.

The natural rate of exchange between two places, is the expense of transporting specie from one to the other, and this would exist, supposing the circulation of both to be equally well supplied, and their currencies estimated at the true par. For the Bank to undertake to redeem indiscriminately, at all its offices, the notes issued by the mother Bank and its various branches, would be to assume the expense of transporting silver and gold from one point of the Union to another, for the accommodation, not of the Government or the public in general, but of any individual who might choose to command its services. Its not undertaking this burden, to which it is not subjected either by the terms of its charter or the expectations of its founders, is supposed to have been the basis of the Executive charge against it.

What it has accomplished on this head, however, may be learned from the statements of the Congressional Committees.

'These notes (the notes of the National Bank) are receivable for the Government, by the nine thousand receivers, scattered throughout every part of the country. *They are in fact, in the course of business, paid in gold or silver, though they are not legally, or necessarily so paid, by the branches of the Bank in every section of the Union.* In all commercial places, they are received, in all transactions, without any reduction in value, and never, under any circumstance, does the paper, from the remotest branches, vary beyond a quarter of one per cent. in its actual exchange for silver. Here, then, is a currency as safe as silver, more convenient, and more valuable than silver, which, through the whole Western and Southern, and interior parts of the Union, is eagerly sought in exchange for silver; which in those sections, often bears a premium paid in silver;

which is throughout the Union equal to silver in payments to the Government and payments to individuals in business, and which, whenever silver is needed in any part of the country, will command it, without the charge of more than a slight fraction of a per centage. By means of this currency, funds are transmitted at an expense less than in any other country. In no other country can a merchant do what every citizen of the United States can do—deposit, for instance, his silver at St. Louis, or Nashville, or New Orleans, and receive notes, which he can carry with him a thousand or fifteen hundred miles, to the Atlantic cities, and there receive for them an equivalent amount of silver, without any expense whatever; and in no possible event, an expense beyond a quarter of one per cent. If, however, a citizen does not wish to incur the anxiety of carrying these notes with him, or to run the hazard of the mail, he may, instead of them, receive a draft, payable to himself or his agent alone, so as to ensure the receipt of an equal amount, at an expense of not one half, and often not one fourth, of the actual cost of carrying the silver. The owner of funds, for instance, at St. Louis or Nashville, can transfer them to Philadelphia for one half per cent.; from New Orleans, generally, without any charge at all—at most, one half per cent.; from Mobile, from par to one half per cent.; from Savannah, at one half per cent.; and from Charleston, at from par to one quarter per cent.’—*Mr. Smith’s Report.*

‘If the whole circulating medium were specie, a planter of Louisiana, who should desire to purchase merchandise in Philadelphia, would be obliged to pay one per cent. either for a bill of exchange on this latter place, or for the transportation and insurance of his specie. His specie at New Orleans, where he had no present use for it, would be worth one per cent. less to him than it would be in Philadelphia, where he had a demand for it. But, by the aid of the Bank of the United States, one half of the expense of transporting specie is now saved to him. The Bank, for one half of one per cent. will give him a draft upon the mother Bank of Philadelphia, with which he can draw either the bills of that Bank, or specie, at his pleasure. In like manner, the Bank and its branches will give drafts from any point of the Union to any other where offices exist, at a per centage greatly less than it would cost to transport specie, and in many instances at par. If the merchant or planter, however, does not choose to purchase a draft from the Bank, but prefers transmitting the bills of the office

where he resides to any distant point, for commercial purposes, although these bills are not strictly redeemable at the point to which they are transmitted, yet, as they are receivable in payment of all dues to the Government, persons will be generally found willing to take them at par; and if they should not, the Bank will receive them frequently at par, and always at a discount much less than would pay the expense of transporting specie.'

'It may be confidently asserted, that no country in the world has a circulating medium of greater uniformity than the United States; and that no country of any thing like the same geographical extent, has a currency at all comparable to that of the United States on the score of uniformity. The Committee have seen the statement of an intelligent traveller, who has visited almost every part of Europe, exhibiting the great variations of the currency in different parts of the same empire or kingdom. In Russia, the bills of the bank of St. Petersburg have a very limited circulation. At Riga, and throughout Courland, Livonia, and all the Southern parts of the empire, the currency is exclusively of silver coins. In Denmark, the notes of the Bank of Copenhagen are current only in Zealand, the other islands, and Jutland, but will not pass at all in Sleswick and Holstein, which constitute the best portion of the kingdom. Since the Congress of Vienna, Germany has been divided into thirty-nine separate States, each having a distinct currency, though represented in the Diet at Frankfort. Out of the territory in which these several currencies are issued, they are mere articles of merchandise; which circumstance has given rise in every town, to a numerous and distinct class of tradesmen, called money-changers. How far those separate and unconnected currencies have a tendency to embarrass commerce, may be inferred from the fact, that a traveller going from St. Petersburg to Calais will lose upon the unavoidable changes of money an average of six per cent. In France, the bills of the bank are of such large denominations as to be adapted only to the greater operations of commerce, and are principally confined to the bankers and extensive traders in Paris. The general currency is silver; and to avoid the trouble of carrying this to distant parts of the kingdom, gold pieces, or bills of exchange, which are preferable, are purchased at a premium of from one and a half to four per cent. After this brief review of the currencies of Europe, the Committee will barely state, as a conclusive vindication of our currency from the imputation of unsound-

ness, that there is no point in the Union, at which a bill of the United States Bank, issued at the opposite extremity of the country, is at a discount of more than one fourth of one per cent.'—*Mr. McDuffie's Report.*

It is within the recollection of the writer of this article, that even at Havre, within a day's journey of the capital and its principal port of entry, the notes of the Bank of France are not received in ordinary transactions, but are sold at a discount.

It can, however, hardly be necessary to insist further on this point. The President, it is true, in 1829, considered the charge of a small commission for the transmission of the funds of individuals from one part of the Union to another, of sufficient importance to authorize him to declare, that the 'Bank had failed in the great end of establishing a uniform and sound currency;' but inasmuch as the sale of bills of exchange is made the most prominent feature of the Treasury Bank, as new modelled in 1830, we have a right to conclude that the Executive has been convinced by the discussions of the last year, that he had previously fallen into an involuntary error respecting the nature of such operations.

The Bank facilitates the transmission of funds, by buying as well as selling drafts or bills of exchange. The merchants of the interior, by disposing at the different offices of bills drawn on their consignees in the sea ports, are enabled to go into the market and make purchases for ready money, from the agriculturalists, who are thus relieved from all risks of mercantile insolvencies. These operations for 1830 are stated, by a competent authority, at \$39,000,000. In 1829 the drafts of the Bank and its offices on one another, amounted to \$24,384,232, and in the same year \$9,066,000 were transferred in consequence of Treasury drafts.

The benefit, which we derive from the Bank, does not stop with its supplying a sound and uniform currency; it exercises a most salutary influence in restraining the excessive issues of local institutions,—the effect of whose overtrading, even if it does not terminate in insolvency, must always recoil on their unfortunate dealers.* A currency, it is true, cannot be for a long period, excessively redundant. When paper is the circulating medium and is convertible on demand into specie, it becomes the interest of the bullion-merchants to export the coin,

* Between 1st of January 1811 and 1st July 1830, one hundred and sixty-five local banks, with capitals amounting to about thirty millions of dollars, failed in the United States.

whenever it has a higher value than the notes with which it is concurrently employed; in the same way as when one metal is estimated higher than the other at the mint, the one which is comparatively underrated is withdrawn from use as money.

It was from overlooking this principle, that Mr. McDuffie was induced* to suppose, that when paper money became so redundant as to expel gold and silver from circulation, the depreciation from the excessive issues would affect the specie as well as the inconvertible paper. It is obvious, that in the case stated, gold and silver are no more parts of the circulating medium than precious stones or other merchandise, and that their only connexion with it, is to serve as a measure of its depreciation.

The consequences of an over-issue being the exportation of bullion, the banks are obliged, in order to avoid a drain of their metallic capital, either to curtail their discounts or to suspend their specie payments. The experience of the last war, in all the States South and West of Connecticut, shows that when there is a common agreement among the issuers of money, the power of demanding specie is but a dead letter. By law, most of our State institutions were liable to be called on for coin; but what was the popular feeling towards those few individuals, who resorted to their rights and asked the banks to fulfil their promises? The conduct pursued by these institutions, was, probably, unavoidable. No one of them possessing a controlling influence over the others, there were no means of regulating the quantity of paper put into circulation, and while every thing that purported to be money was indiscriminately received, the redundancy affected all notes alike, and even the specie, as long as it circulated concurrently with them.

But, even when an over-issue does not lead to the extreme measure of suspending specie payments, the embarrassment, caused by an excessive curtailment to all commercial enterprises, is frequently of the most calamitous nature. Such are the revulsions to which communities are exposed where paper circulates with coin, and such is the liability of all institutions of limited means to be destroyed by the panic, which is too likely to attend a reduction of discounts and a demand for specie, that it has often been made a question, whether the economy arising from a paper currency is not more than counterbalanced by the fluctuations in trade, which its use occasions. In illustration of the truth of this position, the greater stability

* McDuffie's Report, p. 10.

of French commerce, as compared with that of England, has frequently been cited. But, without entering into an examination of this point, it may be confidently asserted, that to sustain a system of paper currency and afford relief for the imprudence of minor institutions, that salutary superintendence, which is virtually exercised by great banks like those of England and the United States, is essentially necessary.

Of the benefit that resulted from the interposition of the Bank of England, we had an example in 1825. The country bankers had engaged in such wild and extravagant speculations, that they had fifty per cent. more paper in circulation than in 1823. To this great redundancy, necessarily succeeded heavy drains of bullion, terminating in the failure of seventy establishments. How ruinous the reduction of the currency attendant on these transactions would have been, without the application of the resources of a great institution, may be judged of by the fact, that the *vacuum*, caused by the withdrawing of these country notes,* absorbed from eight to ten millions of additional issues of the Bank. Had there not been such resources at hand, applied as well to the relief of the bankers themselves as of the merchants, the difficulty of procuring accommodation, under so extraordinary a contraction of the currency, must have ruined hundreds of commercial houses of the most undoubted solvency. Similar instances of the judicious interposition of the Bank of the United States, by affording relief to State institutions in various parts of the Union, will readily occur to all, who are conversant with our banking operations.

Not only has the power of the Bank been employed in remedying actual evils, but what is still more beneficial to the community, it has been applied, in innumerable cases, to prevent their occurrence. The statement of the mode in which the Bank regulates its dealings with the State institutions, as pointed out by the enlightened gentleman, now at the head of its concerns, has not been, as far as we are aware, questioned in any competent quarter.

'The great object,' says Mr. Biddle, 'is to keep the State banks within proper limits; to make them shape their business according to their means. For this purpose they are called upon to settle; never forced to pay specie, if it can be avoided, but payment is taken in their bills of exchange, or suffered to lie occasionally until the bank can turn round; no amount of

* The London and Lancashire bankers do not issue their own paper, but circulate that of the Bank of England.

debt is fixed, because the principle we wish to establish is, that every bank should always be ready to provide for its notes.'

That the banks in our principal cities, and even those of the Eastern States generally, would continue the payment of specie, though the Bank of the United States should cease to exist, may well be admitted, without impairing the importance of that institution, as a check against the ruinous consequences of extravagant issues in those parts of the country, where the nature of paper-money is less perfectly understood. But not only have the rules, which control the monetary system, been disregarded in Tennessee and Kentucky, but we find in the legislation of the largest and most commercial State of the Union, a project, evincing scarcely less ignorance of banking, than the chimerical schemes of our fellow-citizens at the West, so often held up to general animadversion. Our readers will understand us as alluding to the *Safety Fund*, introduced in 1829, in the State of New York, during the administration of Governor Van Buren. By the act referred to, the banks are made, to the extent of three per cent. of their capitals, partners and guarantees for one another, though in their management they are separate and independent. To three commissioners, two of whom are named by the banks and one appointed by the State, is confided the power of visiting every monied institution, subject to the provisions of the law, that is to say, all the banks, which have been incorporated or whose charters have been renewed since 1829, and of thoroughly inspecting their affairs. They are 'to examine all the books, papers, notes, bonds and other evidences of debt of said corporations, to compare the funds and property of said corporations with the statements to be made by them; to ascertain the quantity of specie the said corporations have on hand; and generally to make such other inquiries as may be necessary to ascertain the actual condition of the said corporations and their ability to fulfil all the engagements made by them.'

The first report of the Commissioners was made to the Legislature on the 25th January, 1831. From it we learn, that of the forty-nine banks, having an aggregate capital of \$21,323,460, last year in operation in the State of New-York, twenty-nine, with capitals amounting to \$6,294,600, were on 1st January, subject to the provisions of the act. It is worthy of notice that a sum, equal to one-sixth of the entire capital of these latter institutions, was in the hands of private bankers in the city of New York, engaged in the most extensive operations, and of

whose situation, the Commissioners, (three gentlemen from the interior of the State,) had no means of forming an opinion, not accessible to the public at large. The effect of the supposed guaranty in unduly augmenting the circulation, may be judged of by the fact that these twenty-nine banks, besides being liable for \$1,509,474 due other banks, had only \$443,383 in specie to sustain an issue of \$5,870,935 and to meet \$1,737,858 of deposits. This exhibits a disparity between metallic capital and bank circulation far greater than is to be found in any other specie paying district of the Union. Nor is it any answer, that these institutions possessed credits on other banks and individuals. The policy of the law is founded on the entire sufficiency of personal investigation, while of the ultimate solvency of their debtors no examination can be made, without extending the *surveillance*, granted over the banks, to the counting-houses of merchants and brokers.

Instead of adopting the principle of publicity, instead of those monthly statements, by which the affairs of the Bank of the United States are laid open to the whole world, the utmost mystery is observed by the New York Commissioners. 'The reports made to us,' they say, 'would enable us to give the situations of the institutions with much accuracy and particularity; but *we have not thought that the information would be particularly useful to the legislature, and its publicity might be the cause of affecting the comparative reputation of some injuriously.*'

This system not only confounds frugality and providence with careless and extravagant speculation, but, as the contributions to the funds, on which insolvencies are chargeable, are regulated by the amount of the respective capitals, not of the circulation of the banks, the scheme carries unfairness on its face. It is obvious that it is much less probable that a bank of one million, issuing paper to the extent of one hundred thousand dollars, will fail to meet its engagements, than a bank of one hundred thousand dollars issuing notes to the same amount, and yet the former pays for the privilege ten times the tax of the latter.

The time has not yet arrived for the full developement of the effects of this measure. It may, however, be predicted, that, as it will give the same or nearly the same credit to the banks of the smallest capitals, as to those of the city of New York, the former institutions will be induced to issue their notes to an inordinate extent, not on regular business paper, the payment of which would meet the calls for the redemption of their notes,

but on loans on doubtful security and of indefinite duration. While these excessive issues will degrade the value of the whole currency, as well specie as paper, and by rendering the exchange unfavorable, lead to the exportation of gold and silver, the institutions in good credit will be afraid to apply the efficient corrective,—a demand for specie, lest it should produce a declared insolvency, which they, not the culprit banks, would in the end be obliged to make good. Prudent banks finding that they are taxed for the improvidence of their neighbors, will also take the chance of profiting by fortunate speculations, the hazards of which they must, in any event, necessarily incur, and thus, especially if the United States Bank should not be re-chartered, the whole monetary system may be thrown into inextricable confusion.

The friends of the new system themselves, seem already to have lost all confidence in its magic powers, and are beginning to tamper with it in its vital parts. There is now (March) a proposition before the legislature to authorize each bank, instead of paying its half per cent. annually into the State Treasury, to constitute the fund, to give at once a bond and mortgage for three per cent. of its capital, and retain its contributions, within its own control. But, while all semblance of security is thus taken away, the most obnoxious provisions of the law are to be preserved. Paper, to an indefinite extent, bearing on its face, *Safety Fund*, may continue, by means of a supposed guaranty, to obtain a credit to which it is not entitled. When, however, the bubble bursts, when insolvencies are proclaimed, of what avail in meeting the redemption of the notes would be the hypothecation of all the swamps and barren lands of the State? Again—the distant visits of three individuals, too apt to be selected rather from political considerations than from their knowledge of banking, can be of no advantage as checks on either the fraudulent or imprudent conduct of men, educated in the business in which it may be their interest to deceive, but the inquisitorial power, with which they are invested, may still enable them, by secretly imparting to private persons what they decline to communicate to the legislature, to raise up one institution to the prejudice of another, or destroy an opponent's pecuniary reputation, while they afford to a friend the means of boundless accommodation.

We have made the foregoing reference to the New York Bank Act, not only because it bears a striking analogy to the President's project, but to show that, even where there is ap-

parently the least danger, we have much to apprehend from hasty and prejudiced legislation. What has occurred in New York, may well happen in Connecticut or Massachusetts; and when we reflect on the injury that may result from twenty-four distinct and unconnected bodies operating through three hundred and fifty banks unchecked on the currency, and varying its value by incessantly altering its quantity, we may be disposed to admit the wisdom of placing it, even at the sacrifice of some State pride, under one general authority.

3. The dealing in foreign exchange is a business, which has excited much hostility against the Bank in some of our commercial cities; but, though transactions of this sort are not essentially requisite to enable the institution to support 'a uniform and sound currency,' it is believed, that while they are powerful auxiliaries to that end, they are also productive of many direct benefits.

We have already seen, that where paper is convertible into specie on demand, an excessive issue degrades not only the bank notes, but also the coin circulating concurrently with them, which leads to a drain of the metallic money and its exportation, till such time as, by the contraction thus produced, the currency re-assumes its former value. Indeed, the occasional exportation of specie cannot be prevented by the best regulations which can be adopted. Even when the quantity of the currency remains the same, the vicissitudes of harvests, and the political and other causes, which affect the state of the exchanges, must lead to the exportation of gold and silver, when they can be sent abroad more advantageously than other commodities. It is, therefore, evident that the metallic basis for the circulation must vary according to the demands for specie to which a bank is liable. The statements made by many of the local institutions of our country, do not represent their specie as exceeding in amount the sixth or seventh part of their circulation, and in many cases, it is even less than in the proportion of one to ten. The present entire circulation of the United States has been estimated at \$73,500,000, including \$10,000,000, in silver coins, and the bank drafts, issued by the United States Bank and its branches, and excluding deposits and private bills of exchange. The drafts do not, in their nature, differ from the notes, whether they be five dollar drafts, now substituted, at many of the offices, for the notes of that denomination, or those which are given for amounts to suit the convenience of purchasers. The bank paper is sustained by

specie in the vaults, and which is not comprised in the above calculations, to the amount of \$22,000,000. To an establishment, which, like the banks of England and the United States, is the ultimate regulator of the currency, and which, without possessing the monopoly of circulation, is liable to have specie demanded in consequence of the over-issues of other banks, a large amount of gold and silver is absolutely requisite. Even the Bank of France, which is exposed to but little inconvenience from the redundancy of the currency, as paper does not form a part of the ordinary circulating medium, had, in 1828, a specie reserve of from one hundred and eighty to two hundred millions, to sustain an emission varying from one hundred and ninety to two hundred and thirty millions. The Bank of England generally retains specie in its vaults to one half the amount of the notes which it is liable to be called on to redeem, and when, in consequence of the continued run upon it, its metallic capital was reduced so as to be equal only to the one seventh part of the bills in circulation, a suspension of payments was deemed necessary. The published statements of the Bank of the United States will show a still greater proportion of specie, as compared with notes, than is possessed by the English institution. But as, when specie is drawn from the vaults, it must be because it is more in demand abroad than at home, our National Bank is enabled, by dealing in foreign exchange, to dispense with some portion of the gold and silver, which would otherwise be kept in an unproductive state. It appears from the papers before us, that the Bank had on April 1st, 1830, \$9,043,748 in specie, and funds in Europe to the extent of \$2,789,498, which are justly considered in the estimate as equivalent to specie;* for in case of a depreciation arising from a redundancy of the currency, no one wishing gold or silver for exportation, would refuse to take a draft from the Bank of the United States on its correspon-

* On the 2d January, 1831, the Bank of the United States had \$10,808,047 07 in specie in its vaults, and \$2,387,331 19 in funds in Europe, making together \$13,195,378 26. It also had in its favor, in notes of the State Banks and in debts due from them, a balance over its debts to them of \$2,129,407 21, but the State Banks probably held an amount of the United States Bank paper, computed in the general circulation of the latter, equal or nearly so to this sum. The difference between the notes issued and those on hand at the Bank and the several offices was \$18,526,886 90, and if we deduct one-fifth for the quantity in *transitu*, the circulation would be about fifteen millions. One million is, however, to be added for the drafts of the bank and its offices on one another, this being the amount of them generally in circulation at one time. The deposits were \$16,772,701 12.

dents in London and Paris; nor would the relief from this source be limited to the mere extent of its actual balances abroad. Its credit would, and often has enabled it to draw bills vastly beyond the amount of its deposits with Baring & Hottinguer, to the great assistance of the commercial interest, when labouring under temporary embarrassments from overtrading. Thus a great amount of capital, otherwise necessarily unemployed in the vaults of the banks and its offices, is made efficient for the advantage of the institution, and of course for the increase of the productive resources of the country at large.

If it be important to have a sound and uniform domestic currency, it cannot be immaterial to preserve something like stability in the bills of exchange, which form, in a certain sense, the general currency of the world. Merchants are thus enabled to make more accurate calculations as to the operations in which they engage, and are, in a great measure, relieved from the fluctuations in the price of the paper by which they meet engagements contracted in other countries. Though it be true, that the real exchange is ultimately regulated by the expense of transporting specie from one country to another, yet the greater or less demand and supply of bills produce considerable oscillations from this central point.* Not only are these variations restrained through the influence of the Bank in preventing an export of specie arising from a redundancy of currency, but that institution being always able to go, with its great resources, into the market both as a buyer and seller, the fluctuations are reduced within the smallest limits. From the peculiar situation of our country, the exports being to a very considerable extent made from the South, and the importations received at the Northern ports, this branch of business is attended with great convenience to the planters, who would otherwise be subjected to the expense and risk of circuitous transactions, accompanied with all the charges of double commissions. Again, as there is no re-exchange in Europe on this country, it contributes, in no small degree, to the convenience of Americans, who have occasion for the remission of funds to Europe, to have an office

* It is important to distinguish the real from the nominal exchange. Owing to the errors in the original calculations at the Mint, and to the employment of silver *practically* as our standard, while gold is that of England, the true par is \$4.75 to the pound sterling, instead of \$4.44, as assumed by law. Thus there is a difference of seven per cent between the real and nominal exchange; that is, exchange on London is really at *par*, when it is nominally at seven per cent. premium.

to which they can apply, with the certainty of obtaining bills universally entitled to the same confidence as the precious metals. The only objection that we can conceive against the Bank's continuing to deal in exchange, must arise from its interfering with the profits of a few capitalists in the large towns.* But as they are the individuals who have the deepest interest in upholding a sound currency, we can hardly expect from them an opposition to those transactions of this national institution, which, while they promote the general convenience of the country, are particularly acceptable to that portion of the Union, which is dissatisfied, (with what reason we shall not now inquire,) with the legislation of Congress on another most important subject. But, though we do not go so far as to suppose with Mr. McDuffie, that the whole *nominal* exchange between two places, which during the last war sometimes amounted to twenty-five or thirty per cent., is gained by the brokers,—we cannot consent that the general good shall be sacrificed to the particular interest of the dealers in exchange.

4. The advantages of the Bank in facilitating the fiscal operations of the State are either direct or indirect. Among the former, the most prominent are the receipt and disbursement of the public revenue; and we have the testimony of the venerable Senator who presides over the Committee of Finance for saying, that, although nine thousand persons are employed in collecting this revenue, which, during ten years preceding January 1st, 1830, amounted to an aggregate of \$230,068,855, it was, through the agency of the Bank, received and distributed without an expense or loss to the Government of a single dollar. Besides having given a *bonus* of \$1,500,000 for the charter and transferring the public funds from place to place, without any allowance for commissions or exchange, its officers gratuitously perform the duties of Commissioners of Loans, and render services of the same nature with those, for which the Bank of England is paid by the Government of that country an annual sum of £270,000 sterling.

But the benefit of the Bank does not stop here. From its capital and extensive resources, it is always able to afford Government any temporary loans, which the country may need, and on terms far more advantageous than individuals or private

* The entire annual operations of the U. S. Bank, in buying and selling foreign bills of exchange, only average about three millions and a half of dollars.

corporations can supply them. In time of war, by lending to the contractors on a pledge of public stock, until there is an opportunity for distributing it among the capitalists of the country, it extends the competition for government loans, and thus raises the price of these securities, to the great advantage of the nation. By frequently repeating this operation, it enables the State to borrow to an extent infinitely beyond the capital of the Bank. The benefit constantly derived by the Government of England from its bank, though often managed on erroneous principles, is to be found in every page of the financial history of the last century. Without its aid, it is hardly probable that England would have been able to cope, during a quarter of a century, single-handed, with the coalesced forces of the world. And it is here proper to remark, that though modifications have been suggested in its charter, which will expire in 1833, there is great unanimity among the statesmen of that country as to the importance of continuing it on a basis, not essentially different from that on which it at present exists. Even before the achievement of our independence, and under the imperfect confederacy of the revolution, a bank was established and rendered essential service to our embarrassed treasury. On the adoption of the Constitution, Alexander Hamilton considered 'a National Bank, an institution of primary importance to the prosperous administration of the finances.' One was accordingly formed under the sanction of Washington, and was not a little instrumental in relieving the country from the overwhelming embarrassments to which our credit had been subjected by the suspension of all regular industry during the revolutionary war, and the improvident issue of irredeemable paper money. Had not this bank been suffered to expire at the termination of the period for which it was originally chartered, we have the deliberate opinion of the able and experienced financier,* who presided over the Treasury department at the commencement of the war of 1812, that 'it would have prevented the suspension of specie payments.' Certain it is, that the facilities, which the capital of this institution might have given to the operations of Government and of those with whom the Government dealt; and which, necessarily, were but imperfectly supplied by the local banks, would have prevented the national credit from falling to the degraded condition, in which the treaty of Ghent found it.

We have concluded all that we proposed saying on the

* Albert Gallatin.

operations of the Bank. There are two points, however, on which we would beg leave to make a few remarks before closing our article.

1. If we suppose, with Mr. McDuffie, that the power 'to coin money, and regulate the value thereof,' implies an authority to regulate the currency, even when it is composed wholly or principally of paper, it is the duty of Congress not to omit to legislate on the subject. We do not mean to assert, that there can never be a concurrent authority vested in the General and State Governments. But we are to remember, that, beside the power delegated to Congress by the clause of the Constitution already cited, there is an express prohibition on the States to 'emit bills of credit.' By virtue of this provision, an act of Missouri, to authorize the issue of two hundred thousand dollars in certificates of denominations not exceeding ten dollars, nor less than fifty cents, and receivable in taxes and other debts due the State, though they were not a legal tender, was last year declared unconstitutional.* We think that bank notes, not guaranteed by a State, may be distinguished from the certificates under consideration; but this was not the view taken by the judges who dissented from the majority; and it is, at all events, evident that, consistently with the opinion of the Supreme Court, the States are not competent to furnish a sound currency, even if the other difficulties to which we have alluded, did not present insuperable obstacles.

2. The other point to which we would refer, is a suggestion that we have sometimes heard, that Congress would decline renewing the charter of the present Bank, with the intention of incorporating a new one on similar principles. In favor of such a proceeding, we cannot discover a single valid argument; while the destructive consequences to the dealers with the Bank, of the sudden withdrawing of the ordinary accommodations, must be obvious to all; and as an interval, more or less considerable, must occur between the termination of one institution and the commencement of the other, there will be sufficient opportunity for a recurrence of those derangements in the currency, of which the preceding pages furnish but too many illustrations. Our respect for the two houses of Congress forbids our entertaining, for a moment, the idea that the Legislature would sanction such a course, for the mere purpose of promoting speculation. It has, indeed, been stated, as a pretext for opposition to the Bank, that a large portion of the capital is

* 4 Peters, 410.

owned abroad, and that neither the foreign nor other stockholders are entitled to a continued monopoly. This remark reminds us of the reasons usually assigned for rotation in public employments. It proceeds on the ground, that the Bank and the offices of Government are not established, because certain services are required to be performed for the good of the community, but are created for the sole benefit of the stockholders or incumbents. But if we are to try the question of re-chartering the Bank on the merits of its stockholders, we should recollect, that its present proprietors are composed of original subscribers, and of persons who purchased stock at the market price of the day. When the books were first opened, no favor was shown, and, so far from any person's being deprived of an opportunity to become a stockholder, there was not a subscription adequate to the proposed capital. Those who subsequently made themselves stockholders, gave for their shares a price which was fixed by the probable profits, stability, and permanence of the institution. If Congress should decline to continue the Bank, there will be no violation of any contract, but neither the original proprietors nor subsequent purchasers will have much cause to congratulate themselves on their investments. The average dividends of the United States Bank, from its establishment to the 1st of July, 1830, were only 4,88-100 per cent. per annum; while those of the Bank of England, excluding twenty-five per cent. added as capital in 1816, and *bonuses*, which, between 1799 and 1826, amounted to £3,783,880, were from 1767 to 1781, five and a half per cent.; from 1781 to 1788, six per cent.; from 1788 to 1807, seven per cent.; from 1807 to 1823, ten per cent.; since 1823, they have been eight per cent. With respect to the existence of a foreign interest, which has been urged against the Bank of the United States, we will only remark, that all persons, except citizens, are prohibited from participating even by their votes for directors, in the government of the institution; and until we determine to proceed in opposition to the policy of every enlightened government that has ever existed, we cannot consider it a serious objection to the National Bank, that it attracts to the country capital, to be employed in accommodations to our Government or its citizens, and thus liberates an equal amount of domestic resources, which may be directly appropriated to the promotion of the great interests of AGRICULTURE, MANUFACTURES, and COMMERCE.











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